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Social Security's Financial Status Would Be Worse Under the President's Privatization Plan

Dear Democratic Colleague:

The 2006 Trustees Report for Social Security, released yesterday, projects that the Social Security trust fund will become exhausted in 2040, one year earlier than was projected in last year's report. Social Security's finances must be strengthened in order to improve retirement security for today's young workers. However, the President's plan to divert a portion of Social Security payroll contributions into private accounts does the opposite. The President's plan, included in his 2007 budget, worsens Social Security's financial problems and increases deficits and the publicly held debt for years to come, even as it imposes steep cuts to traditional Social Security benefits.

An analysis of the President's plan based on the assumptions in the 2005 Trustees Report found that the plan would speed up the date of Social Security trust fund exhaustion by 11 years, to 2030. Private accounts, by themselves, do nothing to reduce the long-term budget challenges associated with the aging of the American population. They simply make the budget situation worse. The President's 2007 budget estimates that the Social Security private accounts plan will add \$712 billion to the deficit over the next ten years. The drain on the budget continues long after ten years. Under the President's plan, even with significant benefit cuts, the level of federal debt held by the public would be higher with the private accounts than without them for the next six decades.

For the past five years, President Bush and the Republican majorities in the House and Senate have pursued a failed fiscal policy that has resulted in record deficits, growing debt, and harmful cuts to important services for families while protecting benefits for narrow interests. The President's plan to convert part of Social Security into private accounts financed by borrowed money is just another manifestation of a fiscal policy that has lost its moorings.

Sincerely,

John M. Spratt, Jr.
Ranking Democratic Member